

## Message Text

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ACTION EUR-25

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E.O. 11652: N/A

TAGS: EIND EGEN UR

SUBJECT: ROLE OF FOREIGN MANAGEMENT IN USSR ECONOMIC LIFE

PASS COMMERCE/BEWT AND TREASURY

REF: MOSCOW 12886

1. DURING COURSE OF CALL AUG 28 BY REP RYAN, STAFF CONSULTANT BOYER, AND EMBOFF ON DR. AYKAZYAN, CHIEF, USA SECTION, ADMINISTRATION FOR FOREIGN RELATIONS, STATE COMMITTEE FOR SCIENCE AND TECHNOLOGY, CONVERSATION DRIFTED INTO QUESTION OF POSSIBLE FOREIGN PARTICIPATION IN MANGEMENT OF SOVIET ECONOMIC ENTITIES.

2. WHILE PREDICABLY RULING OUT ANY KIND OF CONTINUING OWNERSHIP OR PROFITMAKING ROLE FOR FOREIGN FIRMS PROVIDING ENTIRE PLANTS TO USSR, AYKAZYAN WAS FAR LESS CERTAIN REGARDING POSSIBLE FOREIGN MANGAEMENT PARTICIPATION IN SUCH PROJECTS. ALLUDING SPECIFICALLY TO NEW TRADE CENTER, AYKAZYAN STATED THAT BECHTEL CORP. MOST CONCERNED-- IN FACT INSISITENT --THAT ITS PERSONNEL PLAY DECISIVE ROLE IN MANAGING CONSTRUCTION OF PROJECT, WHICH SOVIET SIDE AS YET UNABLE TO ACCEPT. ACCORDING TO AYKAZYAN, ISSUE IS AT LEAST OPEN TO QUESTION AND SOVIETS WILL PROBABLY ULTIMATELY ACCEDE TO BECHTEL DEMANDS.

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3. EMBOFF ASKED ABOUT LONGER-RANGE PROJECTS IN USSR IN WHICH FOREIGN MANGEMENT EXPERTISE COULD LOGICALLY BE EXPECTED TO PLAY A CONTINUING ROLE, SUCH AS INTERCONTINENTAL HOTEL CORP. (IHC) DEAL. AGAIN AYKAZYAN ACKNOWLEDGED THAT MODUS OPERANDI HAS YET TO BE ESTABLISHED, WITH IHC PEOPLE STONGLY PRESSING FOR US-SOVIET JOINT MANAGEMENT TO ASSURE THAT THREE INTERCONTINENTAL HOTELS IN USSR WILL MEASURE UP TO WORLDWIDE IHC STANDARDS OF SERVICE.

4. COMMENT: IN GENERAL, AYKAZYAN GAVE DISTINCT IMPRESSION THAT FOLLOW-UP, CONTINUING INVOLVEMENT IN MANGEMENT BY FOREIGN FIRMS SUPPLYING EQUIPMENT AND TECHNOLOGY FOR PROJECTS IN USSR IS AREA WHERE SOVIET POLICY HAS YET TO BE DEFINED. WHEREAS "JOINT VENTURES," INCLUDING SUCH TABOO ASPECTS AS FOREIGN EQUITY HOLDINGS IN SOVIET PANTS, OUT OF QUESTION AT PRESENT (SEE REFTTEL), FOREIGN MANGEMENT PARTICIPATION MAY OFFER AREA FOR FURTHER QUTE MUTUALLY-BENEFICIAL UNQTE COOPERATION BETWEEN FOREIGN FIRMS AND USSR.

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